

Joshua A. Sussberg, P.C.
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
601 Lexington Avenue
New York, New York 10022
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Patrick J. Nash, Jr., P.C. (admitted *pro hac vice*)
Ross M. Kwasteniet, P.C. (admitted *pro hac vice*)
Christopher S. Koenig
Dan Latona (admitted *pro hac vice*)
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
300 North LaSalle Street
Chicago, Illinois 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200

Counsel to the Initial Debtors and Debtors in Possession

Proposed Counsel to the GK8 Debtors and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Chapter 11
CELSIUS NETWORK LLC, <i>et al.</i> , ¹)	Case No. 22-10964 (MG)
Debtors.)	(Jointly Administered)

**DEBTORS' STATEMENT WITH RESPECT TO
THE STATUS OF THE DEBTORS' CHAPTER 11 PLAN PROCESS**

1. Over the last several months, the Debtors and their advisors, in concert with the official committee of unsecured creditors (the "Committee") and their advisors, have worked tirelessly in pursuing a dual-track process marketing of the Debtors' retail platform and mining business² while simultaneously developing a standalone reorganization. More specifically, in

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Celsius Network LLC (2148); Celsius KeyFi LLC (4414); Celsius Lending LLC (8417); Celsius Mining LLC (1387); Celsius Network Inc. (1219); Celsius Network Limited (8554); Celsius Networks Lending LLC (3390); Celsius US Holding LLC (7956); GK8 Ltd. (1209); GK8 UK Limited (0893); and GK8 USA LLC (9450). The location of Debtor Celsius Network LLC's principal place of business and the Debtors' service address in these chapter 11 cases is 50 Harrison Street, Suite 209F, Hoboken, New Jersey 07030.

² See Order (I) Approving the Bidding Procedures In Connection With the Sale of Substantially All of the Debtors' Assets, (II) Scheduling Certain Dates With Respect Thereto, (III) Approving the Form and Manner of Notice Thereof, (IV) Approving Contract Assumption and Assignment Procedures, and (V) Granting Related Relief

September 2022, Centerview Partners LLC (“Centerview”), the Debtors’ investment banker, began a marketing process designed to identify potential bidders for, and maximize the value of, all or substantially all of the Debtors’ assets (the “Assets”). The Debtors, in consultation with Centerview, contacted over 130 parties they believed may be interested in a transaction. As part of that process, the Debtors executed over forty confidentially agreements with prospective bidders, and such parties were granted access to a virtual data room populated with diligence materials to facilitate their assessment of the Assets. Parties that expressed interest in the Assets were also given the opportunity to discuss the business and technology with the Debtors’ management team.

2. The Debtors’ robust marketing process ultimately produced six non-binding bids for their retail platform (or portions of their assets), three non-binding bids for their mining business, and certain other bids for individual assets. Importantly, none of the bids for the Debtors’ mining business were cash bids above liquidation value—all were preliminary and non-binding, contingent on raising financing, structured, and would have significantly diluted creditors’ equity stake in the mining business.

3. After thoroughly analyzing each bid, the Debtors’ marketing process has come to a value-maximizing conclusion—the Debtors, in consultation with the Committee, have reached an agreement in principle with a bidder and plan sponsor: NovaWulf Digital Management, LP (“NovaWulf”). Because most of the other bids the Debtors received contemplated variations of a liquidation plan, the Debtors believe that the agreement with NovaWulf maximizes the value of the Debtors’ assets and will ultimately bring these chapter 11 cases to a successful conclusion.

[Docket No. 1272] (the “Order”). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Order.

The proposed NovaWulf transaction also provides the foundation for a potential settlement with respect to the Debtors' customer loan portfolio.

4. The key features of the proposed sale transaction, which will be implemented through a chapter 11 plan, are set forth in more detail in the presentation attached hereto as **Exhibit A**. The Debtors will provide more detail on the proposed transaction at the February 15, 2023, omnibus hearing.

5. The Debtors believe that the proposed agreement with NovaWulf reflects the highest and best offer that will maximize the value of the Debtors' assets. Over the coming days, the Debtors and their advisors will work with the Committee and NovaWulf to finalize a binding agreement, at which point the Debtors will cancel the Auction and designate NovaWulf as the Successful Bidder. The results to-date have been achieved in no small part due to the Debtors' extensive engagement with the Committee and other stakeholders. While much work remains to be done, the Debtors are committed, now more than ever, to consummating the deal with NovaWulf as these chapter 11 cases transition to the confirmation process.

[Remainder of page intentionally left blank]

New York, New York
Dated: February 15, 2023

/s/ Joshua A. Sussberg

KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP

Joshua A. Sussberg, P.C.
601 Lexington Avenue
New York, New York 10022
Telephone: (212) 446-4800
Facsimile: (212) 446-4900
Email: jsussberg@kirkland.com

- and -

Patrick J. Nash, Jr., P.C. (admitted *pro hac vice*)
Ross M. Kwasteniet, P.C. (admitted *pro hac vice*)
Christopher S. Koenig
Dan Latona (admitted *pro hac vice*)
300 North LaSalle Street
Chicago, Illinois 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200
Email: patrick.nash@kirkland.com
ross.kwasteniet@kirkland.com
chris.koenig@kirkland.com
dan.latona@kirkland.com

Counsel to the Initial Debtors and Debtors in Possession

Proposed Counsel to the GK8 Debtors and Debtors in Possession

Exhibit A

Plan Sponsor Presentation

CENTERVIEW PARTNERS
 ALVAREZ & MARSAL
KIRKLAND & ELLIS LLP

Celsius Plan Overview

February 15, 2023

Disclaimer

The information provided in this presentation pertaining to Celsius Network Limited and certain of its affiliates ("Celsius", the "Company" or the "Debtors"), its business assets, strategy and operations is for general informational purposes only and is not a formal offer to sell or a solicitation of an offer to buy any securities, options, futures, or other derivatives related to securities in any jurisdiction and its content is not prescribed by securities laws. Information contained in this presentation should not be relied upon as advice to buy or sell or hold such securities or as an offer to sell such securities. This presentation does not take into account nor does it provide any tax, legal or investment advice or opinion regarding the specific investment objectives or financial situation of any person. Celsius and its agents, advisors, directors, officers, employees and shareholders make no representation or warranties, expressed or implied, as to the accuracy of such information and Celsius expressly disclaims any and all liability that may be based on such information or errors or omissions thereof. Celsius reserves the right to amend or replace the information contained herein, in part or entirely, at any time, and undertakes no obligation to provide the recipient with access to the amended information or to notify the recipient thereof. This is not a binding term sheet, no definitive documents have been signed, and parties reserve their rights in connection with any proposed transaction. Any information, representations or statements not contained herein shall not be relied upon for any purpose.

Neither Celsius nor any of Celsius' representatives shall have any liability whatsoever, under contract, tort, trust or otherwise, to you or any person resulting from the use of the information in this presentation by you or any of your representatives or for omissions from the information in this presentation. Additionally, neither the Company nor Celsius' representatives undertake obligation to comment on the expectations of, or statements made by, third parties in respect of the matters discussed in this presentation.

THIS PRESENTATION IS NOT, AND SHALL NOT BE DEEMED, AN OFFER OR ACCEPTANCE WITH RESPECT TO ANY SECURITIES OR A SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE.

Introduction

- After running a comprehensive sale process and evaluating multiple potential bids and transaction structures, the Debtors have chosen to pursue a plan of reorganization sponsored by NovaWulf Digital Management (“NovaWulf”)
- The Debtors believe that the NovaWulf plan provides the best method to distribute the Debtors’ liquid crypto assets and maximize the value of the Debtors’ illiquid assets through a new company run by experienced asset managers
- The NovaWulf plan has the support of the unsecured creditors’ committee (the “UCC” or the “Committee”)
- NovaWulf will make a **direct cash contribution** of \$45-55mm to NewCo⁽¹⁾, furnish additional consideration to customers transacting on the NewCo platform to offset anticipated gas fees, and assume significant liquidation and winddown costs that would otherwise be incurred by the Debtors in a controlled liquidation of the Debtors’ business
- NovaWulf has also partnered with Figure Technologies and the Provenance Blockchain to provide licensed trading and loan services, allowing Celsius’ Earn creditors the opportunity to gain immediate access to liquidity for their share of the Debtors’ illiquid assets, and Celsius’ retail loan holders the ability to reinstate their loan on new terms
- The NovaWulf plan is the product of the Debtors’ court-approved sales process. As part of that process, the Debtors’ advisors contacted over 130 parties and executed non-disclosure agreements with ~40 potential bidders
- The sale process yielded 6 bids for the retail platform, and 3 bids for the mining operation
- The Debtors, in concert with the UCC, have worked over the last several months to negotiate with bidders, and are pleased to announce an agreement in principle with NovaWulf as plan sponsor

(1) Such amount to be determined by the net asset value of NewCo on the Effective Date.

Introduction (*cont'd*)

The proposed sale and plan structure provides three key forms of consideration for Earn Creditors:

- Earn Creditors with claims valued below \$5,000 on the petition date will be placed in a “Convenience Class” that will receive a one-time distribution of liquid crypto (in the form of BTC, ETH and USDC) on the plan effective date. The Debtors estimate that the Convenience Class will provide over 85% of Celsius’ customers with a recovery equal to ~70% of their claim in liquid crypto
 - Any Earn creditor can elect to reduce their claim to \$5,000 and participate in the Convenience Class
 - Any Convenience Class creditor with a claim of at least \$1,000 can “opt out” of the Convenience Class and receive the recoveries provided to general Earn creditors
- General Earn Creditors will receive their pro rata share of:
 - A significant distribution of liquid crypto (in the form of BTC, ETH and USDC) on the plan effective date
 - 100% of the “common” equity in NewCo, which will own and seek to maximize the value of the Debtors’ illiquid assets over time, including illiquid crypto (e.g., staked ETH), the mining operations, retail and institutional loans and alternative assets. NewCo also intends to develop new value accretive business lines for the benefit of Earn creditors who own the equity of NewCo
 - Interests in a well-funded litigation trust, which will be overseen by creditors or their appointees, and vigorously pursue designated litigation claims against certain former insiders of Celsius and other third parties
- NewCo will be a regulatory compliant public, reporting company 100% owned by Earn creditors. Its “common” equity will be provided in a tokenized form that will trade on the Provenance Blockchain through a SEC-registered broker dealer and alternative trading system
- The proposed plan also will provide a framework to resolve custody account holder claims and retail borrower claims through settlements that allow each electing customer to opt into a settlement treatment described in greater detail in the following slides
- Insider CEL token claims to be subordinated and receive no recovery; non-insider CEL Earn claims will be valued at \$0.20 (ICO price) and receive the same treatment as all Earn claims

Key Plan Highlights



- 1 All Earn creditors receive a significant distribution of liquid crypto on the plan effective date, with “Convenience Class” creditors receiving a ~70% recovery on the plan effective date
- 2 NewCo will be led by reputable digital asset investors and operators (no Celsius founder involvement or relationship)
- 3 NewCo “common” equity will be 100% owned by Earn creditors & publicly traded; NewCo will be a public company with attendant disclosure requirements (e.g., 10Qs & 10Ks)
- 4 Meaningful incremental direct and indirect consideration to be paid by the proposed buyer / plan sponsor, including \$45-55mm of cash⁽¹⁾
- 5 Comprehensive settlement frameworks with custody account holders and retail borrowers
- 6 Well-funded Bitcoin mining operations with detailed plan to vertically integrate over time
- 7 Strong governance and transparency – majority of NewCo board appointed by the UCC
- 8 NewCo equity will benefit from maximization of illiquid asset value and creation of new business lines over time
- 9 Litigation claims will be vigorously pursued for the benefit of General Earn creditors

(1) Such amount to be determined by the net asset value of NewCo on the Effective Date.

Earn Creditor Distribution

Celsius is distributing the vast majority of its liquid assets plus new tokens representing 100% of the equity in its illiquid assets, with further upside as NewCo grows over time

Earn Claims Less Than or Equal to \$5,000 (Convenience Class)

- **70% recovery** in liquid crypto assets (BTC, ETH and USDC)
- Customers with balances over \$5,000 may opt-in to the Convenience Class by reducing their claim to \$5,000
- Customers with convenience claims larger than \$1,000 may opt-out and participate in the general Earn creditor distribution

Represents over 85% of all Earn Account Creditors

Earn Claims Greater Than \$5,000

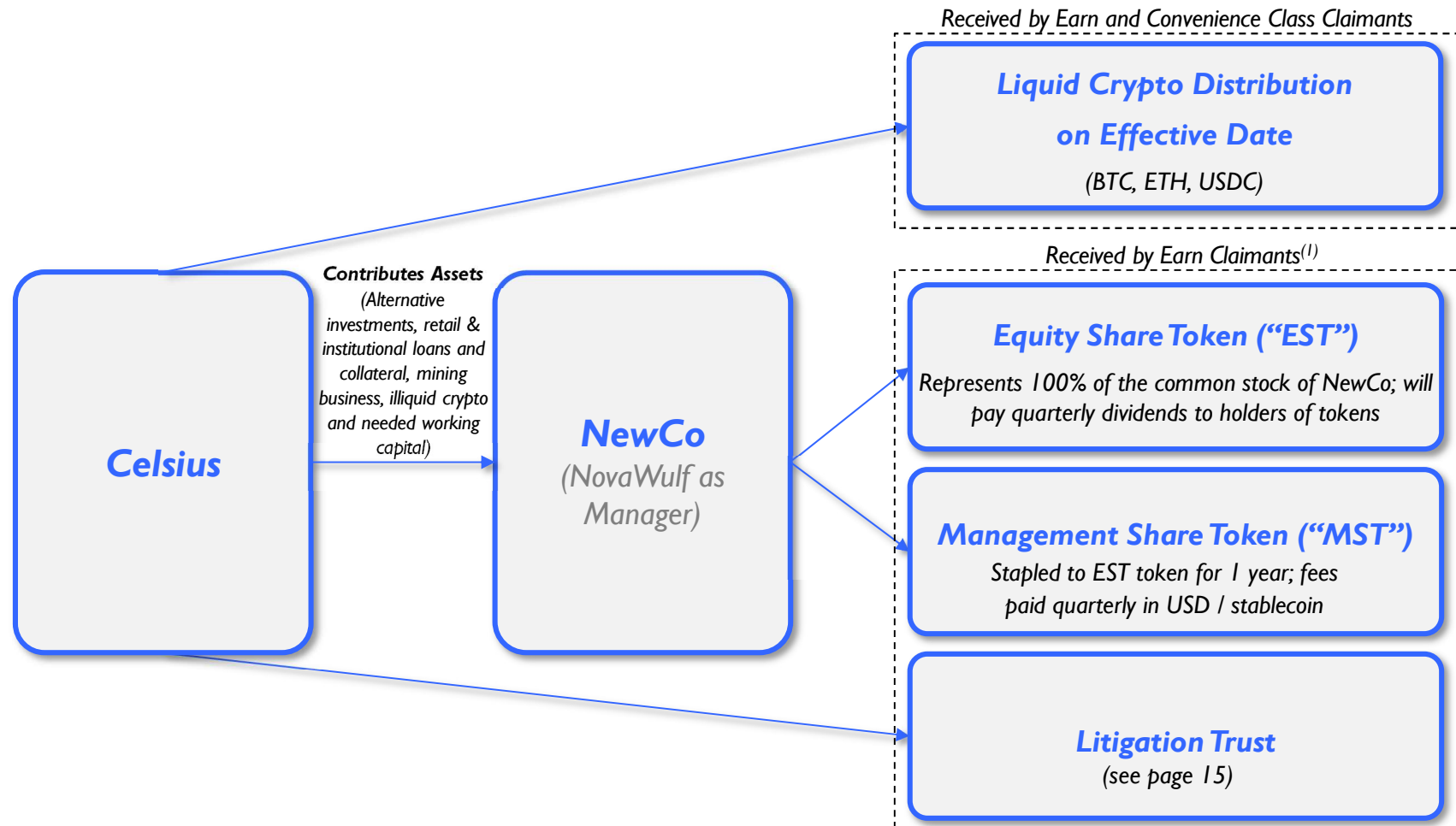
- Distributes **up to 100% of liquid crypto** assets to creditors less payments to other creditors under the plan and reserve for an amount needed to operate NewCo (including the mining business)
- Distributes **100% of NewCo equity as tokenized securities – Equity Share Tokens (“ESTs”)**
- Distributes **Management Share Tokens (“MSTs”)** entitling holders to ~50bps of NewCo net asset value annually plus incremental profit sharing
- Earn claimants voting to **accept the plan may request to swap liquid crypto or ESTs** with other creditors as part of their distribution and the Debtors will endeavor to match requests and facilitate reallocation of liquid crypto and ESTs among requesting claimants

Plan provides for distribution of liquid crypto assets on the effective date and distribution of illiquid assets over time through NewCo equity (ESTs) and potential dividends

Plan Structure

Customer owned NewCo positions customers to benefit from a recovery in the crypto market, maximization of the value of illiquid estate assets and NewCo value creation

- NovaWulf’s incentives are closely aligned with EST holders through profit sharing arrangement

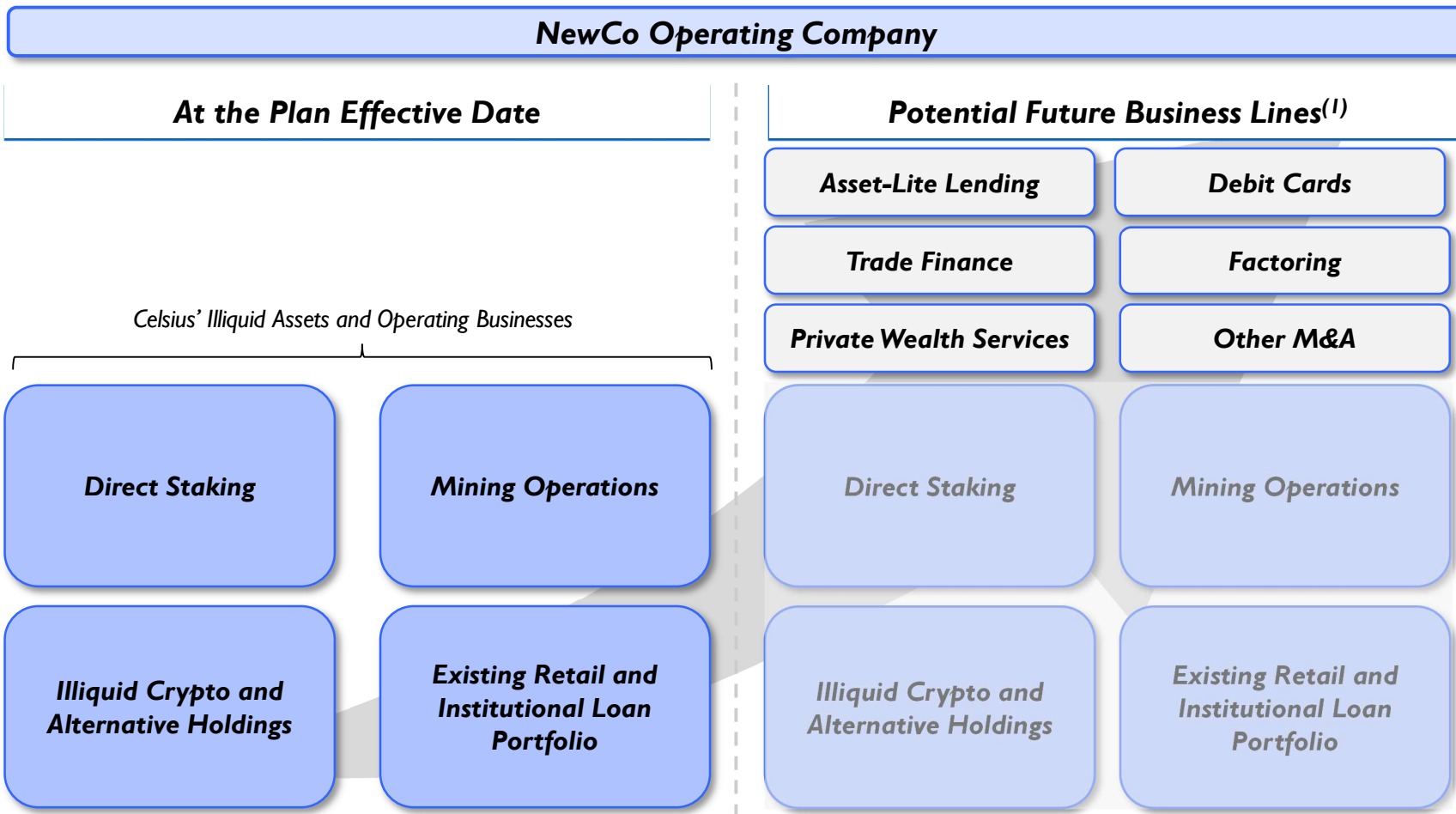


(1) Excludes claimants participating in Convenience Class.

Overview of NewCo Activities

NewCo will house Celsius' illiquid assets and mining business, and will develop crypto-oriented operating businesses and services for the benefit of EST holders

- NewCo will be a regulated, publicly traded, creditor-owned company with disclosure, reporting and accounting requirements consistent with best practices for public companies
- NewCo will immediately be one of the largest direct staking platforms with significant growth opportunities



(1) All future business lines subject to obtaining regulatory licenses.

Overview of NovaWulf & Figure

NewCo will be managed by experienced and pedigreed investors and operators
– NovaWulf has partnered with Figure as its end-to-end blockchain solution








- ✓ Founded in 2022 by former Blackstone, King Street and Beowulf Energy executives with a history of growing platforms
- ✓ Firm is focused on bringing a value-oriented approach to digital assets
- ✓ Deep collective experience in distressed investing and rehabilitating businesses
- ✓ Significant experience in bitcoin mining through historical involvement with TeraWulf and Marathon (hosted for MARA)
- ✓ Focused on financing the infrastructure for digital assets, including mining data centers, lending, custody and trading operations

FIGURE

- ✓ Founded in 2018, focused on loan origination, banking and payments for digital assets
- ✓ Early mover in leveraging the disruptive potential of blockchain technology, bringing material savings to both consumers and institutions
- ✓ Deep financial services, blockchain, regulatory and technology domain expertise
- ✓ Powered by the Provenance Blockchain
- ✓ SEC-registered trading platform paired with lending licenses in 49 states

Overview of NovaWulf & Figure (cont'd)

NewCo will be managed by experienced and pedigreed investors & operators

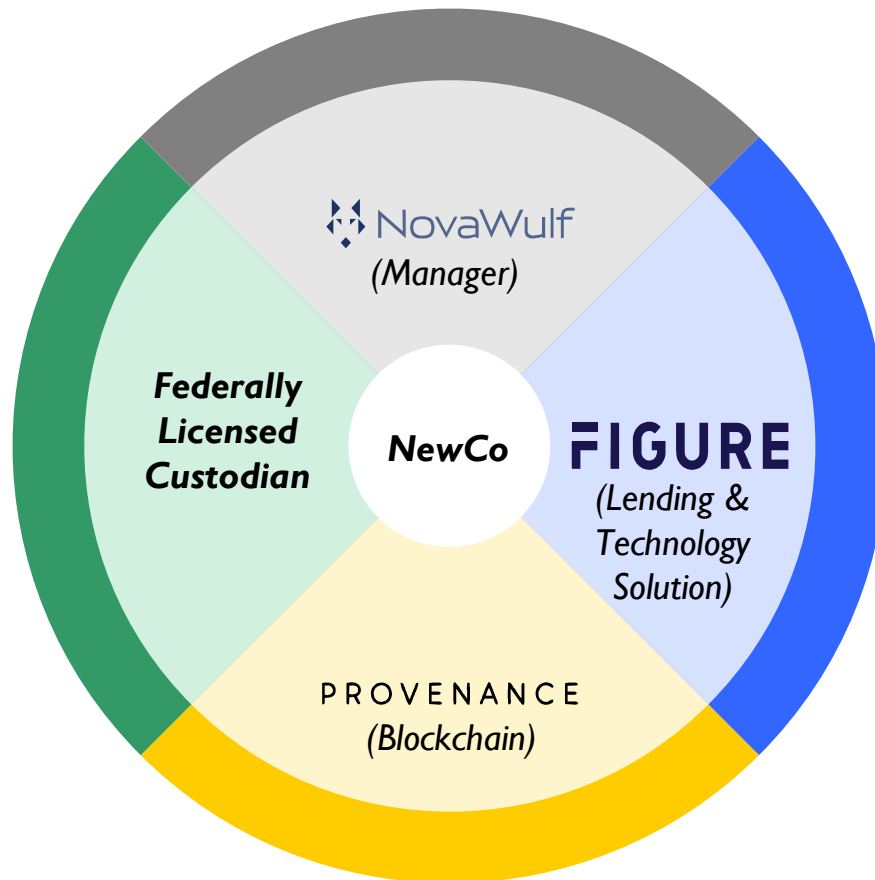
NovaWulf	 Jason New Co-Founder & Managing Partner	<ul style="list-style-type: none">▪ Previously CEO of Onex Credit▪ Before Onex, spent 15 years at Blackstone where he was Co-Head of Distressed and Special Situation Investing	 Nazar Khan Co-Founder	<ul style="list-style-type: none">▪ COO, CTO and Co-Founder of TeraWulf; previously served as Executive Vice President of Beowulf Energy for nearly 20 years▪ Lead developer of over 400 MW of mining datacenters; initial operating partner of Marathon Digital
	 Michael Abbate Co-Founder & Managing Partner	<ul style="list-style-type: none">▪ Spent 17 years at King Street Capital Management as a Partner▪ Sat on King Street's US Investment, Risk and Brokerage committees and oversaw US trading operations	 Paul Prager Co-Founder	<ul style="list-style-type: none">▪ Chairman, CEO and Co-Founder of TeraWulf⁽¹⁾▪ Founder and CEO of Beowulf Energy since 1987
FIGURE	 Mike Cagney Co-Founder & CEO	<ul style="list-style-type: none">▪ Co-founded and served as CEO of SoFi until 2017▪ Co-founded Cabezon Investment Group, a global macro hedge fund	 June Ou Co-Founder & President	<ul style="list-style-type: none">▪ Previously served as CTO of SoFi until 2017▪ Served as CEO and Founder of CCO Solutions and VP of Engineering at Finaplex

Plan combines leaders in traditional finance & blockchain technology

(1) Appropriate protocols to be established with respect to information and other issues with TeraWulf and its principals.

Operational and Technological Partnerships

NovaWulf's partnerships with Figure / Provenance Blockchain and a federally licensed custodian provide end-to-end blockchain-based, fully regulated solutions for issuing, trading and custodizing tokenized securities



FIGURE

- Pioneer in developing blockchain technology
- Holistic suite of blockchain solutions for NewCo including **digital wallets, secondary trading, KYC and fiat on / off ramp**
- Unmatched lending capabilities with technology and licenses to **support NewCo's retail loan portfolio**

PROVENANCE *Blockchain*

- Public, open-source and proof-of-stake blockchain utilized by Figure's SEC-registered ATS
- Instantaneous settlement with lower trading costs than peers
- **EST and MST tokens will trade on the Provenance Blockchain**

Federally Licensed Custodian

- OCC-chartered crypto bank
- Offers unique combination of secure custody and regulatory compliance
- **All applicable NewCo assets will be custodied here**

Celsius Mining Under NewCo

\$50mm specifically reserved to capitalize the mining operations under NewCo for the benefit of EST holders

- NovaWulf has significant industry experience in bitcoin mining through its historical experience with TeraWulf and Marathon

NewCo's Vision for Celsius Mining

- ✓ Capitalize the business with \$50mm reserved for investments and other growth opportunities
- ✓ Grow into vertically integrated business within NewCo with over 120k rigs
 - Operating results will be publicly disclosed, broken out from other NewCo business lines and assets
- ✓ Led by dedicated management team with significant industry expertise
- ✓ Excess BTC to be distributed to creditors via dividends on ESTs
- ✓ NewCo will expand mining management team to support growth of operations over time
- ✓ Leverage energy expertise and mining equipment to optimize profitability
- ✓ Opportunities for strategic consolidation

Strong Governance and Oversight

Majority of NewCo board will be appointed by the UCC, with incentives aligned to drive EST value

- NovaWulf will receive a preferred equity instrument that pays a dividend initially calculated based on the net asset value of NewCo. The calculation of that dividend will transition to being based on the trading price of the EST by year 4



NewCo will be entirely owned by the Earn creditors through Equity Share Tokens



Holders entitled to voting rights typical of most public companies



NewCo will publicly file financial statements, annual reports (10Qs and 10Ks) and comply with other SEC reporting requirements, providing significant transparency on performance and operations



NewCo will be overseen by a Board comprised of 7 members with no prior Celsius involvement:

- Two directors appointed by NovaWulf
- Two directors appointed by the UCC
- Three independent directors appointed by the UCC and consented to by NovaWulf; consent not to be unreasonably withheld



The Board will control investment policy, dividend policy, issuance of new tokens, and other major strategic and operational decisions

Retail Borrower Proposed Settlement

Retail borrowers will be able to select one of the following two treatments

– Retail borrowers with loan balances below or equal to \$5,000 will receive Treatment B

Treatment A

- Retail borrowers that vote to **accept** the plan and agree to have their loan amended and reinstated under the following terms, will have an amount equal to their loan obligation plus 85% of their remaining collateral returned upon repayment of their loan at maturity
 - Maturity: 5 years
 - Collateral: All existing collateral swapped into ETH during term of loan
 - Prepayment: None
 - Max Loan-to-Value: 80%
 - Any loans in excess of 80% will be required to contribute additional collateral
 - Interest: Sliding scale, ranging from 7.5% - 12.5% per annum, based on the LTV of the loan with ability to add more collateral to receive lower interest
 - Interest may be paid by reducing collateral instead of being paid in cash, subject to a fee
- At maturity, borrowers will receive collateral in the form it was deposited⁽¹⁾
 - Borrower bears all basis risk due to conversion of collateral to ETH

Treatment B

- Retail loan balances as of the Petition Date will be set off against existing collateral based on the value as of the Petition Date
- Claims for return of excess collateral above the principal balance of the loan will receive the same treatment as Earn claims of similar size

Treatment B: Illustrative Example

Market Value of Collateral on Petition Date	\$125
(Less): Loan Balance	(50)
Claim for Excess Collateral Value	\$75

Borrower will receive \$75 Earn Claim treatment under the plan and have no further loan obligations

(1) Excludes CEL and FTT tokens.

Custody Holder Proposed Settlement

The Debtors, the UCC and the Ad Hoc Group of Custodial Account Holders have reached an agreement in principle on a settlement that would resolve the outstanding preference litigation and the pending “Phase II” litigation with custody holders

- Each custody account holder will have the option to settle all preference actions with respect to the applicable custody claim pursuant to a settlement motion and the plan
- Settling custody holders will receive cryptocurrency equal to 36.25% of their allowed custody claim following approval of the settlement motion, and will receive cryptocurrency equal to an additional 36.25% of their allowed custody claim following the effective date of the plan
 - Custody holders who do not settle as part of the initial motion, but elect to settle under the plan will receive the total recovery of 72.5% under the plan
 - All other claims of settling custody holders against the Debtors will be released
- Custody holders who do not elect to settle will retain their right to seek full payment of their custody claims, and the Debtors (or their successor) will retain the estate’s rights to pursue preference actions against such custody holders
- Existing “Phase II” litigation with custody holders to be subject to a standstill pending approval of the plan
- Settlement does not affect existing withdrawal order permitting withdrawals of “pure custody” and transferred custody below \$7,575 threshold

Litigation Trust Overview

- On February 13, 2023, the Committee entered into a stipulation with the Debtors which provided that all claims against Alex Mashinsky, Daniel Leon and certain other insiders, set forth in the proposed Complaint filed by the Committee, would be contributed to a litigation trust
- The Debtors and the Committee will agree on any additional claims and causes of action to be contributed to the trust, including claims against third parties. Any disagreement as to the claims to be contributed will be resolved by the Court
- The litigation trust will be adequately funded to pursue the claims and causes of action for the benefit of General Earn Creditors
- The litigation trust will be administered by a trustee overseen by an oversight board
- Certain preference and other avoidance actions will be contributed to the trust for the benefit of General Earn Creditors
- The Debtors will waive preference claims against any non-insider customers who (a) vote in favor of the plan and (b) have aggregate withdrawals less than a certain threshold (which is TBD) in the 90 days before the Petition Date

Proposed Timeline

